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TAGS: [PREL](#) [PGOV](#) [EAID](#) [EFIN](#) [NU](#)
SUBJECT: NICARAGUAN FOREIGN MINISTER: U.S. BEHIND
CONSPIRACY TO BLOCK IFI LENDING TO NICARAGUA AND THE
HONDURAS COUP

Classified By: Ambassador Robert Callahan, Reasons 1.4 (b,d)

¶1. (C) Summary. On August 5, Ambassador met with Foreign Minister Samuel Santos to discuss the ongoing Honduras crisis, Nicaragua's efforts to secure international lending, and bilateral relations. Santos acknowledged that Nicaragua's financial situation had worsened severely, threatening key social programs. He accused the U.S. of maintaining an "unofficial policy" of blocking IFI financing for Nicaragua. On Honduras, he asserted that Nicaragua has done everything possible to reduce tensions and encourage Zelaya to avoid confrontations. He claimed that the U.S. was behind the coup, or at least knew of it in advance and could have stopped it. He warned that any failure to restore Zelaya to the presidency would lead to bloodshed in Honduras and the U.S. would be held responsible. End Summary.

U.S. HAS "UNOFFICIAL POLICY" TO BLOCK IFI FINANCING

¶2. (C) Santos expressed serious concern about Nicaragua's worsening financial and economic situation. The economic crisis will force the Ortega administration to revise again the national budget and is threatening advances in key FSLN social programs. He noted that Deputy FM Valdrack Jaentschke had been dispatched to Europe to visit several countries to ask that budget support and other financial assistance, suspended after the fraudulent November 2008 municipal elections, be resumed. Santos recited his previous claims that the Ortega government has made the greatest gains among all the countries in the region in areas of governability, counter-narcotics, security, and health. All this, he claimed, was threatened by the cuts in aid and the inability to secure further financing and disbursements from the IFIs.

¶3. (C) Santos then complained that the Ortega government had obtained "evidence" that the U.S. has an "unofficial policy" to block lending and disbursements from the IMF, World Bank and IDB. Santos asserted that "some U.S. officials" had stepped up their opposition to aid to Nicaragua following Ortega's anti-U.S. comments on the July 19 celebrations of the anniversary of the 1979 revolution and as a consequence for Nicaragua's continued close relations with Venezuela and Cuba. Santos called the supposed policy an "economic boycott" that threatens Nicaragua.

¶4. (C) Ambassador rebutted Santos' claim of a U.S. conspiracy in the IFIs, noting the U.S. was interested in avoiding a financial crisis in Nicaragua just as much as the GoN. Nicaragua needs to comply with the requirements and standards set forth by the IFIs, but that did not amount to an unofficial policy to block lending. Ambassador cautioned

Santos that continued criticisms of the U.S. by the most senior officials of the GoN raised questions about what kind of relationship the Ortega administration wants with the U.S.

Public harangues against the U.S. created a negative perceptions in the U.S. that continue to make it difficult for those who want to help Nicaragua.

NO NEW AMBASSADOR TO THE U.S.

15. (C) Ambassador noted that Nicaragua remained at a disadvantage in Washington without an Ambassador to represent its interests and queried whether the GoN intended to nominate anyone soon. Santos bluntly reported that his suggested candidates for the position had been rejected by the First Couple (Ortega and Rosario Murillo) and no further progress had been made on selecting a new Ambassador to Washington. Similarly, Santos' own efforts to resign due to ill health had likewise been rejected by Ortega and he would remain Foreign Minister for the foreseeable future. (Note. In a previous conversation with the Ambassador, Santos confided he intended to resign. He had open heart surgery several months ago in Cuba and is still on a limited work schedule, restricted diet and exercise regimen. In the meeting, he appeared unhappy with the rejection of his resignation, noting the need to focus attention on his business interests now that his daughter is attending a U.S. university. End Note.)

U.S. BEHIND HONDURAS COUP AND IS TO BLAME IF BLOODSHED

16. (C) Santos claimed to have "proof" that the U.S. knew about and was involved in the coup. Santos cited unidentified "sources" in the Honduran military that reportedly demonstrate the USG was aware of what was going to happen in advance and didn't stop it. He also claimed that Costa Rican Foreign Minister Stagno told him that "someone from the Department of State" had called him and asked Costa Rica to give Zelaya refuge, proving to Santos that the USG was behind the effort to get Zelaya out of the country. Moreover, Santos claimed to "know" the Honduran mindset and found it impossible to believe political and business leaders would have taken such actions without at least the implicit approval of the USG. (Note: President Ortega has subsequently asserted in public that the USG was involved in the coup, citing the fact that the plane carrying Zelaya stopped at the Soto Cano airbase in Honduras before departing the country. End Note.)

17. (C) Nonetheless, Santos asserted that the GoN wants the Obama administration to succeed in Latin America and particularly with the Honduras crisis. The Ortega government thus has been "pushing" other ALBA countries to give the U.S. more space and time to deal with a resolution of the situation, including with Venezuela's Hugo Chavez. Santos emphasized that Nicaragua has put pressure on Zelaya to step back from the Nicaragua-Honduras border, go on the diplomatic circuit, and has taken steps to re-open the border crossings and re-secure the frontier area. Santos claimed that Nicaragua has "taken concrete steps and it is now up to the U.S. to act." He dismissed the announced visa sanctions as insufficient and that the U.S. needed to bring its enormous power to bear in order to force the de facto regime to concede. "Your power is the only one that can do it," he asserted. Furthermore, if this problem is not resolved quickly, the people will lose faith in a peaceful resolution and will resort to violence. If this happens, Santos warned, the blame will fall of the U.S.

18. (C) Santos reported that Nicaragua will not publicly endorse the Arias process because it violates the UN's principle that Zelaya should be restored to office "without conditions." However, he claimed that Nicaragua has privately been urging Zelaya and the other ALBA countries to accept the Arias plan in order to resolve the crisis quickly. Again, it is now up to the U.S. to use its influence,

including through stronger visa sanctions and economic measures, on the de facto regime to accept the plan and the immediate return of Zelaya.

¶9. (C) Ambassador rebutted claims of U.S. involvement in the coup, noting the U.S. was as surprised as everyone else. Ambassador made clear that U.S. policy has been to work multilaterally, through the OAS, to support the Arias process. Ambassador emphasized that it remains critical for both sides to avoid bloodshed and provocations and allow the process to move forward. Ambassador noted ongoing U.S. efforts to strengthen the process, including our clear statements of support recognizing Zelaya as the President of Honduras. He urged Santos to help encourage Zelaya to avoid impulsive and provocative actions.

COMMENT

¶10. (C) The Ortega administration is clearly feeling financial pressure, in part due to the global economic downturn, its own mismanagement of the public sector, and the cut in foreign aid, particularly European budget support, following the November 2008 municipal elections. According to our European contacts, DFM Jaentschke's European trip was a failure. He refused to address electoral reform issues and promised only to invite European governments as "visitors" to monitor the 2010 regional elections. Unfortunately, rather than respond to domestic and international pressure to enact reforms that would lead to a resumption of aid, the GoN is inventing conspiracies and hoping that appeals to social advances will break the lending logjam. A visit by senior officials from the European Commission in September will determine whether European aid remains frozen, but the GoN appears to be doing little to strengthen their appeal for renewed assistance.

¶11. (C) On Honduras, it seems clear that Ortega has grown weary of Zelaya and would prefer to have his activities and time in Nicaragua limited. Santos' comments indicate that Ortega is trying to position himself to claim victory regardless of how the crisis is resolved. Should Zelaya be returned, it will be another victory for direct democracy and the ALBA states. Should Zelaya not return to power, Ortega is prepared to say he and his ALBA allies did everything possible and lay the blame at the feet of the USG.

CALLAHAN